



DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
NAVAL AIR SYSTEMS COMMAND HEADQUARTERS
WASHINGTON, DC 20361-0001

IN REPLY REFER TO
NAVAIRINST 4200.32
AIR-5222
4 Apr 88

NAVAIR INSTRUCTION 4200.32

From: Commander, Naval Air Systems Command

Subj: DESIGN TO COST

Ref: (a) SECNAVINST 4200.32 (NOTAL)
(b) SECNAVINST 4210.6 (NOTAL)

1. Purpose. To implement reference (a) and to set forth specific responsibilities and requirements for design to cost (DTC) in the Naval Air Systems Command (NAVAIR).

2. Cancellation. This instruction cancels NAVAIR Instruction 5000.9 of 27 September 1976.

3. Background. The Navy develops, procures, and employs sophisticated weapon systems in an environment where cost is an important, and often the overriding criterion for program success. Cost control, therefore, is an important part of acquisition management. DTC is an engineering cost control technique used during the design phase of a program to control the future cost of acquisition, operation, and support. DTC requires that cost be treated as a key design parameter by setting cost goals for designers, treating cost implications in design and logistics trade studies, tracking progress against the goals, and taking corrective action for over-goal situations. Since requirements definition as well as design decisions affect these future costs, a DTC program involves NAVAIR and contractor personnel working together toward a common objective--meeting the acquisition manager's DTC goal. For the greatest benefit, DTC must begin in the earliest phase of system development.

4. Applicability. The applicability and extent of a DTC effort for an individual program should be determined at the time of program initiation and reviewed at subsequent major milestones. This determination should be influenced by the production and supportability cost risk, the magnitude of the anticipated life cycle cost, the amount of design to be done, the planned use of other cost control measures such as not to exceed priced production options per reference (b), and affordability constraints. For a few programs, national security considerations may override the importance of cost control. If DTC is judged impractical or not cost-effective for a particular program, the acquisition manager should seek an exemption via the acquisition planning process.

5. Responsibilities

a. Program managers, air program coordinators, system program managers, and advanced development project officers will

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(1) execute DTC per reference (a) and manage cost as a key design parameter;

(2) assess the acquisition, operation, and support cost risks during acquisition planning and tailor the DTC program to help reduce these risks;

(3) per reference (a) establish cost goal agreement with higher authority via authorization documents, track progress, and report status in the documentation normally furnished during a milestone or program review and report pending or actual goal breaches to the Commander (AIR-00) and higher level decision authority as determined by the program's acquisition category designation;

(4) ensure the consistency of cost goals with other program parameters;

(5) prepare and execute acquisition strategies that will meet cost goals;

(6) identify high risk and high cost items and manage them intensively;

(7) ensure contractor compliance with contractual DTC targets and requirements; and

(8) plan and implement cost reduction actions as cost problems arise.

b. Assistant program managers for systems and engineering will

(1) ensure the production cost goal is met;

(2) direct the responsible functional codes to seek ways of reversing adverse cost trends in their areas; and

(3) ensure the consistency of cost goals with other system parameters.

c. Cognizant functional offices and personnel (for specific acquisitions) will

(1) look for and pursue cost avoidance and cost reduction opportunities;

(2) periodically review the contractor's cost estimates and cost target allocations for realism;

(3) review contractor performance toward achieving cost targets; and

(4) assist in correcting adverse cost trends.

d. Assistant program managers for logistics will assist in planning, developing, managing, and verifying logistics-related DTC goals and ensuring that they are achieved.

e. Evaluation Division (AIR-522) will

(1) provide DTC point of contact with higher level authority, other commands, government organizations, and industry;

(2) assist in keeping higher level DTC guidance documents current;

(3) promote cost-consciousness in the command;

(4) develop DTC policy and procedures;

(5) periodically assess policies and procedures for DTC program effectiveness; and

(6) assist acquisition managers to

(a) develop an acquisition strategy that provides sufficient attention to controlling cost;

(b) develop DTC portions of solicitation documents and associated contractual requirements;

(c) review and approve the contractor DTC plan and status reports;

(d) chair contractor DTC reviews;

(e) disseminate contractor DTC information to the responsible functional personnel;

(f) report DTC status to the responsible project and functional personnel; and

(g) ensure that the contractor takes appropriate action regarding adverse cost trends.

f. Cost Analysis Division (AIR-524) will

(1) review contractor proposed cost targets in terms of being difficult but achievable and compatible with program cost goals;

(2) review contractor DTC estimates for correct methodology, reasonable assumptions, and accuracy;

(3) assist functional groups in quantifying the cost implications of design and requirements decisions; and

(4) develop and maintain appropriate actual and estimated acquisition and operating and support cost data.

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g. Assistant Commander for Contracts will ensure that requests for proposals and contracts (including incentives) are consistent with the applicable acquisition regulations for DTC.

h. Commanding officers of naval plant representative offices will ensure that contractors carry out an effective DTC program following the contract terms; provide on-site support, including review and evaluation of contractor furnished data items; and assist in DTC incentive payment determinations when requested.



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